

Economic Development

Introduction

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Being the gateway to Grand Canyon National Park and the home to **four National Monuments** and portions of four national forests, the main economic drivers in Coconino County continue to be tourism, government (federal, state and local) agencies, hospitality, recreation and leisure, and science and research & development. In response to the economic downturn in 2007-2009, the County acknowledges the need to diversify its economic base and has taken steps to develop public-private partnerships and reduce barriers for new businesses entering the market. Awareness of land use in regard to economic development is important. Policies that promote shorter commutes, telecommuting, and neighborhood access to retail creates strong communities, is good for the environment, and enhances the day-to-day quality of life for County residents. Promoting businesses and industries that are compatible with our local environment, recognizing the economic value of natural systems and human capital, creates a stable economic future. Moreover, it supports decision-making that considers a longer horizon for the benefit of today's residents and future generations.

The County strives to be cognizant of the constraints facing individuals and businesses related to jobs, housing affordability, services, infrastructure, and attracting and maintaining employment hubs throughout the County. Support of existing economic drivers, coupled with the exploration of new opportunities will create a resilient and vital economy well into the future. This chapter examines existing economic conditions, pinpoints the County's strengths and weaknesses, and identifies goals and policies that promote diverse economic development and achieve a higher standard of living for our citizens.

Economic Partners

The County is not alone in the task of fostering economic development. The Economic Collaborative of Northern Arizona (ECoNA), Northern Arizona Center for Entrepreneurship and Technology (NACET), Sustainable Economic Development Initiative (SEDI), the Flagstaff Chamber of Commerce, **COCONINO COMMUNITY COLLEGE (CCC)**, **NORTHERN ARIZONA UNIVERSITY (NAU)**, and programs from other jurisdictions and entities actively assist small businesses and start-up companies.

Coconino County – Major Economic Drivers

Tourism: Tourism continues to play a significant role in the economy of the county. Grand Canyon National Park draws approximately 5 million visitors annually, and approximately 3 million people visit Oak Creek Canyon and Lake Powell. Other attractions, such as National Monuments at Sunset Crater, Walnut Canyon, and Wupatki also draw large numbers of tourists. While **ECOTOURISM** is already well established within the county, it can be expanded upon through a diversity of activities. Dark skies can continue to draw visitors from across the globe to view this threatened resource and visit internationally recognized observatories such as Lowell

Observatory and the Flagstaff Station of the U.S. Naval Observatory. Continued protection of the natural environment and viewsheds is critical for ecotourism to thrive.

The County can support the diversification of tourism through the promotion of emerging interest in ethno, agri, and educational tourism as well. Drawing visitors to experience the rich culture of our indigenous people, along with opportunities to view and stay on historic, working ranches could help segments of our population bolster these areas outside of the urban centers and federal parks. The development of interpretive sites on the Navajo Nation will help foster **ETHNO-TOURISM**. Traditional activities such as rodeos, pow-wows, and roadside vendors also support this economic sector. Coconino County's wealth of large working ranches and diverse opportunities for cooperation with government and tribal land managers should be embraced as an opportunity to promote new and established natural, ethno, and **AGRITOURISM** businesses.

Government: Coconino County is home to many governmental agencies that employ a large number of County residents. These include, but are not limited to, the **U.S. FOREST SERVICE**, the **BUREAU of LAND MANAGEMENT**, **U.S. GEOLOGICAL SURVEY**, cities and towns such as Flagstaff, Williams, Tusayan, and Coconino County, among others. Many of these public sector employees serve the citizens of the county by providing for and maintaining public spaces such as parks, forests, **LANDSCAPES**, which indirectly contribute to the recreation, tourism, and hospitality industries within the county. They also maintain vital infrastructure and provide services that improve the quality of life for all County residents. Additionally, incorporated city governments actively work to attract and retain small businesses to their communities.

Hospitality: Hospitality includes lodging, food and related services which serve both local residents and visitors alike. For residents, the hospitality industry provides job opportunities and contributes to the social fabric of communities. Central to tourism, the hospitality industry provides visitors with lodging and food as they travel. The hospitality industry is a significant generator of tax revenue in the County.

In 2014, on the Navajo Nation, the Twin Arrows Casino Resort opened, creating jobs for the region and adding to the overall economy. Associated development and further gaming opportunities could provide additional economic benefit while being cognizant of the cost to the County for public services.

Recreation and Leisure: Outdoor recreation opportunities drive most of the tourism in the county, which in turn, provides 13,000 jobs and is the second largest employment sector¹. Coconino County has nationally and internationally recognized trails, including the famed Arizona Trail which stretches for over 800 miles from Mexico into Utah with a major portion in Coconino County. The City of Flagstaff has the highest number of outdoor recreational equipment shops (for example: skiing, hiking and cycling) in the state per capita. Because of the vast amount of federal lands managed by the Bureau of Land Management, **NATIONAL PARK SERVICE** and the U.S. Forest Service residents and visitors benefit from incomparable recreational opportunities including river rafting, fishing, golfing, hunting, hiking, rock climbing,

¹ Arizona Department of Administration, Office of Employment and Population Statistics. 2014 Data.

cycling, skiing, and snowplay to name just a few. Hunting, fishing, and wildlife viewing alone are estimated to bring \$325 million to the County annually². There are annual festivals and markets, celebrating music, culture, and food which attract visitors to the county and provide leisure activities for residents to enjoy. As recreation and leisure are two of the main reasons people visit or move to Coconino County, it is important to foster development of new businesses and support existing businesses in these industries.

Science and Research & Development: The County recognizes that the Flagstaff region is one of the nation's leading bioscience centers. Innovation Mesa, NACET and the Bioscience Tech Park at the Pulliam Airport help to cluster and support these industries. Clustering specific industries provides opportunities for their collaboration. Additionally, NAU is actively contributing to these industries through additional research and development and skills training.

Additionally, Coconino County has the perfect environment to support astronomy and stargazing. High altitude as well as minimal development and Dark Skies Ordinances, positions the County to take advantage of a unique economic opportunity. Lowell Observatory (credited with discovering Pluto in 1930) in Flagstaff, the U.S. Naval Observatory in Bellemont, and the Discovery Channel Telescope in Happy Jack are world renowned and offer research opportunities for scientists as well as being a tourist destination. Existing and future investment in developing research facilities holds significant potential for expanding for this economic driver. Amateur astronomy is also very popular in Coconino County and is enjoyed by county residents and tourists. Enforcement of the County's Dark Skies Ordinance will help ensure that the ability to view the stars on a commercial and individual level will continue to be an active part of the county's economy.

Goal: Create and maintain a sustainable standard of living and a high quality of life by recognizing the economic value of the natural systems and human capital within Coconino County. Through collaboration continue to embrace economic, social and environmental responsibility to build prosperous and livable places.

Policies

1. Encourage innovative approaches to economic development that include job training and educational opportunities.
2. Increase County efforts to assist towns and rural communities with economic development using existing organizations including, but not limited to, SEDI, NACET and ECoNA
3. Coordinate with economic partners to develop ongoing analysis of impediments to business attraction and retention.
4. Support tourist-related development projects that focus on conserving and showcasing the county's unique natural, ~~and~~ cultural, **and dark sky** features.

² Arizona Game and Fish Department. 2013 Economic Impact of Fishing in Arizona. Study conducted by Responsive Management for the Arizona Game and Fish Department.

5. Support coordinated efforts (public/private) to build and maintain recreational assets (trails, wildlife viewing areas) and continued access to public lands.

Emerging Trends in Economic Diversity

E Commerce: Attracting and retaining new industries and small business can help diversify the economy to increase resiliency. Furthermore, the County recognizes that business opportunities will be found in new and emerging arenas. For instance, with the increase in E-commerce, retail brick-and-mortar businesses are shifting their locations from Main Street storefronts to light industrial sites for sales distribution, as customers are increasingly buying products online rather than from a physical store. Recognizing and adapting to new economic trends will benefit residents of the county.

Green Markets: Emerging environmental awareness and attention to efficiency is changing the way businesses make decisions from product development to processing, packaging and distribution. Green markets are an emerging industry within the county. For instance, there has been an attempt to identify **WASTE STREAMS** that can be turned into other resources or products that have both environmental and economic benefits. An example of this is the *Four Forest Restoration Initiative (4FRI)*, where millions of acres of forest will be thinned, materials removed, processed and sold for a variety of uses including building materials and biomass fuels.

Home/Cottage Businesses: Home businesses allow for further diversification of the economy. These come in two forms, home occupations, which are invisible to neighbors, and cottage industries, which are slightly more intensive of a use and can raise concerns with neighbors. With oversight and performance standards, impacts to neighboring properties can be minimized or completely mitigated, resulting in a win-win for the business and neighbors. Working from home has proven to reduce traffic congestion, commuter travel time, and associated environmental impacts. The County must be ready to actively seek the expansion of broadband technology for high-speed internet to support the expected increase in home occupations and cottage industries. Emerging markets such as the share economy and the success of businesses like Uber and Airbnb are already impacting Coconino County. Regulatory flexibility and open-mindedness for such businesses will position the County to take advantage of these emerging trends.

Public-Private Partnerships: Across the country governments faced with tight budgets are developing long-term arrangements with the private sector for the delivery of services and development of infrastructure that is mutually beneficial for the partners. These partnerships can aid in effective and cost-efficient services that many public entities would struggle to provide on their own.

The County has developed public-private partnerships for event management and recreational facilities at Fort Tuthill County Park. These partnerships have resulted in shared operation and management of the Fort Tuthill Pepsi Amphitheater, development of the privately owned and

managed Flagstaff Extreme on County land at Fort Tuthill and the use of existing park buildings for the seasonal operation of the North Pole Experience.

Goals: Ensure that policies and regulations provide flexibility and support for emerging trends.

Policies

6. The County should support and pursue economic development that maintains or improves the environmental and public health.
7. The County encourages emerging technologies and industries that utilize local resources in an environmentally responsible manner.
8. The County should include recognition of new business models and impacts to land uses when plans and regulations are developed.
9. The County supports the use of cost-effective public-private partnerships to provide better public services and infrastructure.

Business Growth and Sustainability

The development of diverse business sectors requires the need for added supportive industries and associated services and resources, including work force housing, education, medical care, food services, personal services and automotive services. These also contribute to strong economic growth.

Small Business: According to the Small Business Administration, “promoting small business development has higher potential for generating growth than any other economic development policy option”. The County has been supportive of the development of business activity centers in the region that provide cohort facilities, mentoring, coaching, micro loans, and other small business and entrepreneurial services. Home businesses are permitted in residential zones in the county to support emerging trends supported by high-speed Internet connections and the lack of need for a typical ‘brick and mortar’ operations. Furthermore, there exists opportunities for micro-enterprise development, especially in areas with an employment base. With skills ranging from crocheting to food production to auto mechanics to sewing, a large population of potential entrepreneurs would simply need a small amount of startup capital, some retail space and/or production space, and some business mentoring assistance to launch their enterprises. The County’s Community Services Department works with the Basic Business Empowerment program, the Market of Dreams, and financially supports SEDI’s efforts in this area. Additionally, Coconino County has taken aggressive steps to support the development of incubators that are providing support to start-up businesses within emerging industries such as biosciences and renewable energy.

Educated Workforce: There are many institutions and resources that foster workforce development in Coconino County. Because human resources are so valuable in the 21st Century

economy, the County provides life-long skills and learning opportunities by partnering with schools, post-secondary institutions, and other organizations for continuous education and training. These include, but are not limited to, Coconino Community College (CCC), Northern Arizona University (NAU), and many varied trade schools. NAU is a state university with emphasis in the fields of physical therapy, hospitality, forestry and natural sciences. County residents who pursue training with these institutions are better prepared to enter the workforce, are more likely to obtain employment, and to make higher wages. This improves the quality of life for those County residents both on an individual level and as a whole as increased spending power within the county stimulates the entire economy. Furthermore, employers who offer professional-level jobs and careers prefer to locate in areas where there is a highly educated workforce. This is especially true in fields such as bioscience and technology, which are currently well-based but growing fields within the county.

Additionally, the County² Community Services Department and the Career Center Department offers workforce training and business empowerment classes. Start-up grants are available through **the Community Services Department, Business Empowerment Classes** both of these County departments as well as through the Sustainable Economic Development Initiative (SEDI).

Standard of Living: In 2014, Flagstaff's average hourly wage was just under \$17. However, cost-of-living expenses drop that number to \$14.31, which is \$8 below the national adjusted average.³ There is little data showing that other areas within Coconino County are as harshly affected by lower wages and higher costs of living, but as the Flagstaff metropolitan area is the largest economic activity center in Northern Arizona, its economy has a large effect on Coconino County in general. Many people work within the limits of the City of Flagstaff and live in the unincorporated parts of the county for reasons related to housing affordability. Support for high wage jobs and careers will boost the economy for all county residents.

Coconino County Economic Statistics

	Coconino County	Arizona	United States
Median Household Income	\$49,555	\$49,774	\$53,046
Median Home Value	\$220,400	\$165,100	\$176,700

Source: American Community Survey, 2013

Economy and the Environment: Economic development and environmental stewardship are ideas that work hand-in-hand in Coconino County where a large variety of businesses thrive due to the unique and beautiful natural environment. Because so many economic opportunities depend on the environment in Coconino County, it is imperative that the County support economic development that is consistent with the goals and policies of this Plan and that seek to thrive in a healthy environment.

³ Department and Council for Community and Economic Research compiled by Governing magazine
<http://knau.org/post/flagstaff-average-hourly-wages-lowest-us>

Goal: Encourage and support business growth and sustainable business practices.

Policies

10. Support business development that creates long-term, stable economic growth.
11. The County recognizes challenges faced by local small businesses in competing in a global market place.
12. Support increased and improved post-secondary educational opportunities throughout the County.
13. Identify impediments and opportunities for an educated workforce.
14. Support existing and new business development that provides for higher wage employment opportunities.
15. Seek businesses that are compatible with the environment and are a benefit to their communities.

Infrastructure

Infrastructure is critical to businesses. A successful business needs to be able to transport employees and goods efficiently, utilities and **WASTEWATER** need to support many people being on-site and the production of goods, and excellent communication systems to operate in a global economy. Coconino County is not an infrastructure developer, and this affects how and which businesses develop in unincorporated areas. Limited infrastructure presents challenges to economic development. It is often the responsibility of private enterprise to develop and maintain infrastructure needed to support itself. Developing such services can be costly and inherently limit some enterprises in the county. In some cases, finding properties in or adjacent to incorporated areas of the county may provide opportunities to reduce infrastructural costs to private entities

Transportation: The County has several major transportation assets connecting the local economy to the national economy. Interstate 17 connects the county south to Phoenix and Interstate 40 connects the county east-west across the entire nation. The BNSF railroad provides cost efficient transportation of goods. Pulliam Airport, located in the Flagstaff area, along with other smaller airports, offer services to residents and tourists. I-40, rail corridors, and proximity to west coast ports make areas of the county strategic locations for industrial, warehousing and manufacturing activity. In addition, scenic highways help support our thriving tourist economy and regional airports bring travelers and business people. Expansion of flights locally would help attract businesses who need access to the global economy.

The County does not build roads but it does maintain roads accepted into the *Road Maintenance Program* through Public Works. Building new roads, expanding roads to accommodate new development, and road maintenance for roads not maintained by the County are the responsibility of developers and Homeowners' Associations and road improvement districts.

ARIZONA DEPARTMENT of TRANSPORTATION (ADOT) builds and maintains many roadways within the county. Partnering with ADOT for high quality levels of service is critical.

Recently, the collapse of State Highway 89A south of Page demonstrated the importance of transportation infrastructure in the county. Beyond the expense of repairing the road, the negative economic impact on businesses not only in Page, but also in the communities of Marble Canyon, Cliff Dwellers, and Vermilion Cliffs, has been significant. Another example of the importance of transportation infrastructure is the limited capacity of the I-40 interchange at Bellemont. Together, these examples show the importance of interagency communication and cooperation. Additionally, the County needs to maintain and upgrade transportation infrastructure in order to minimize future disruptions to the economy.

Water/Wastewater: Water is another limiting factor for economic development in the county. Because the County is not a water provider, businesses must be able to secure their own water. For this reason, intensive water-using businesses will likely never be a part of the county's economic portfolio. Additionally, wastewater systems can be costly. Businesses with needs beyond standard septic systems often find these costs prohibitive.

Telecommunications: Telecommunications infrastructure is critical to business. Transformative technologies in wireless and broadband systems are now standard infrastructure expectations in the business environment. Many parts of the county have no phone service at all, let alone internet capabilities, and many places that do have services are limited. The County can support the development of telecommunications systems through appropriate zoning regulations.

Goal: Work with businesses to assess infrastructural needs and support improved infrastructure and systems throughout the County.

Policies

16. Promote improved air transportation schedules and connectivity to enhance business environment that will retain and attract business.
17. Support education and employment opportunities by working with communities to assess telecommunication needs.
18. Support infrastructure improvements to enhance rail, highway and air transportation.
19. Coordinate with regional economic development organizations to create a Business Development Ombudsman to help assist individual businesses with their business siting and infrastructure needs.
20. The County will work with businesses to identify ways to reduce water and wastewater needs associated with development.

Coordination with Land Uses

Land use and regulation impact business development and attraction. The County is proactively trying to assist developing economic sectors with flexibility for locating by updating the *Zoning Ordinance* and pursuing land use best practices.

Opportunities are plentiful for industrial economic development, especially in the Bellemont area. To support future development, investments would have to be made as part of the development process for upgraded roads, water, and wastewater infrastructure to fully use industrially zoned land parcels. Additional opportunities may exist in areas that are undeveloped or not zoned for commercial and/or industrial uses, such as the Interstate 40 corridor east of Flagstaff toward Winslow. In Williams and Fredonia, land suitable for new commercial and industrial activity underwent annexation to provide infrastructure and capture tax benefits for the municipalities.

Zoning: Rezoning is a tool that can be used to expand commercial and industrial uses when tied to viable development projects. The County opposes speculative zoning, as there can be unintended negative consequences including deterring development by artificially inflating value of undeveloped properties. Instead, the County encourages developers to identify appropriately zoned parcels for the projects. If no appropriate properties are available, then developers may seek project-specific rezoning. The rezoning process allows analysis of impacts, consistency with the *Comprehensive Plan* and any Area Plans, and allows for public input to determine if indeed the location is appropriate.

The County also encourages **ADAPTIVE REUSE** of vacant buildings and underutilized properties. The benefits of adaptive reuse can provide positive economic, social and environmental outcomes. With a limited supply of private land, adaptive reuse may provide additional opportunities for locating business.

The county's transportation corridors are crucial to a thriving economy. They are the obvious place for continued development because of their location along shipping routes, providing potential for logistics and distribution hubs. Much of the existing commercial and industrially zoned land in the county is found along such corridors. The County supports development near these corridors but opposes strip-style development which can impede traffic, impact viewsheds, and limits opportunities for multimodal transportation. Instead, clustered commercial and industrial development in designated **ACTIVITY CENTERS** with access to major corridors is preferred.

Jobs/Housing Mix: Housing affordability and wages in Coconino County present challenges for workforce attraction and retention. Less than half of Flagstaff households can afford the median-priced, single-family home; many spend far more than one-third of their income on housing. While Flagstaff is the economic hub, other outlying areas face similar housing dilemmas that limit the relocation of new businesses into outlying communities. Ways to address housing affordability are addressed in the Sustainability and Land Use Chapters of this Plan. However, attracting new employers that pay an acceptable, **LIVABLE WAGE** is still an issue and can be improved by the goals and policies in this chapter.

Locating work place and housing in closer proximity can reduce travel times and dependency on single-occupancy commutes, thereby reducing gasoline consumption thereby improving overall affordability. Many households have two or more residents with jobs in different locations. For example, although housing has been developed near industrial areas in Bellemont, those residents will likely work in Flagstaff. The current Zoning Ordinance does allow for mixed use zoning under the Planned Residential Development and Planned Community zones, but in the future it may be possible to create additional ways in which to accommodate mixed use zoning, especially in light of all of the economic and environmental benefits of mixed use developments.

Goal: Incorporate innovative planning techniques to encourage the development of compatible enterprises with neighboring land uses.

Policies

21. The County encourages the establishment of industries that contribute to the region's economic health and support community character.
22. Focus development for economic clustering through flexible zoning regulation in industrial and commercial zones.
23. The County supports new industries that practice conservation measures to minimize impacts to natural and cultural resources.
24. Existing Area Plans should identify Activity Centers that promote economic health. Appropriately scaled, these Activity Centers should help communities create a quality of life that is attractive for business retention and preserves a local sense of place.
25. Create an inventory of commercial and industrial zoned land, and corresponding compatible land uses, for which those businesses and industries could locate. Make this inventory available to the public.
26. The County should be a clearinghouse for information about available parcels and infrastructure.